



Email: [REDACTED]

Date: 21 October 2022

Dear Team,

Wessex Water representations on our draft determination of in-period ODIs for 2021-22

We welcome the lack of interventions on our submitted view on performance and have no representations on the calculation of our reward for C-MeX, D-MeX or the indexation adjustment from last year.

We note that given the proposed increase in corporation tax from 19% to 25% has been re-confirmed we would expect this to be reflected in the final determination.

We would, however, like to ask for a deferral of our gross ODI reward and attach an updated in-period adjustment model to support this.

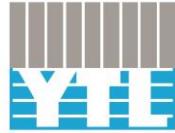
When reviewing charges for 2023-24 our Board noted that given the current high inflation and cost of living crisis, we should do what we can to limit the immediate impact on customer bills and agreed in principle to deferring the gross ODI outperformance. We are therefore proposing the deferrals set out in the table below.

| | Outperformance Payments | Underperformance payments | Proposed Deferrals | Net figure to be applied in 2023-24 |
|-------------------------|-------------------------|---------------------------|--------------------|-------------------------------------|
| Water resources | 0.010 | -0.019 | 0.010 | -0.019 |
| Water network plus | 2.125 | -0.072 | 2.125 | -0.072 |
| Wastewater network plus | 2.535 | -2.216 | 2.535 | -2.216 |
| Bioresources | 0.000 | -0.019 | 0.000 | -0.019 |
| Residential Retail | 2.366 | -0.092 | 2.366 | -0.092 |

All figures at 17-18 prices & include C-MeX and D-MeX

This will give immediate relief to customers, and as of indicative charges, enables us to keep bill increases lower than inflation at a time where there are significant inflationary pressures on other utilities, food, and general cost of living. It results in the K factors and allowed revenues set out in the table below

| | | |
|-------------------------|---------------------------------------|--------|
| Water resources | Revised K factor | 0.47 |
| Water network plus | Revised K factor | -0.13 |
| Wastewater network plus | Revised K factor | -1.16 |
| Bioresources | Unadjusted revenues £m (17-18 prices) | 31.533 |
| Residential Retail | Unadjusted revenues £m (nominal) | 33.088 |



It will enable us to smooth the overall bill impact into future years, where inflation and energy costs are forecast to reduce easing the overall pressure on household finances. These deferrals will increase our revenues in future years by c2.6% - with inflation forecast to be reducing to 2-3% and our expected performance we do not think this poses an undue pressure on future customer bills.

We will keep the situation under review and, through the flexibility afforded to us through the ODI framework, will ensure that future bill increases do not place an undue burden onto customers at that time.

Yours faithfully

[Redacted]
Head of Economic Regulation